

Senate Amendment 3009

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1 1 Amend House File 1, as passed by the House, as
1 2 follows:
1 3 #1. Page 1, by inserting before line 1 the
1 4 following:
1 5 <DIVISION I>
1 6 #2. Page 1, by inserting after line 35 the
1 7 following:
1 8 <DIVISION II>
1 9 Sec. ____ Section 422.5, subsection 2, Code 2007,
1 10 is amended to read as follows:
1 11 2. However, the tax shall not be imposed on a
1 12 resident or nonresident whose net income, as defined
1 13 in section 422.7, is ~~thirteen seventeen~~ thousand ~~five~~
1 14 ~~nine~~ hundred dollars or less in the case of married
1 15 persons filing jointly or filing separately on a
1 16 combined return, heads of household, and surviving
1 17 spouses or ~~nine eleven~~ thousand ~~two hundred~~ dollars or
1 18 less in the case of all other persons; but in the
1 19 event that the payment of tax under this division
1 20 would reduce the net income to less than ~~thirteen~~
1 21 ~~seventeen~~ thousand ~~five nine~~ hundred dollars or ~~nine~~
1 22 ~~eleven~~ thousand ~~two hundred~~ dollars as applicable,
1 23 then the tax shall be reduced to that amount which
1 24 would result in allowing the taxpayer to retain a net
1 25 income of ~~thirteen seventeen~~ thousand ~~five nine~~
1 26 hundred dollars or ~~nine eleven~~ thousand ~~two hundred~~
1 27 dollars as applicable. The preceding sentence does
1 28 not apply to estates or trusts. For the purpose of
1 29 this subsection, the entire net income, including any
1 30 part of the net income not allocated to Iowa, shall be
1 31 taken into account. For purposes of this subsection,
1 32 net income includes all amounts of pensions or other
1 33 retirement income received from any source which is
1 34 not taxable under this division as a result of the
1 35 government pension exclusions in section 422.7, or any
1 36 other state law. If the combined net income of a
1 37 husband and wife exceeds ~~thirteen seventeen~~ thousand
1 38 ~~five nine~~ hundred dollars, neither of them shall
1 39 receive the benefit of this subsection, and it is
1 40 immaterial whether they file a joint return or
1 41 separate returns. However, if a husband and wife file
1 42 separate returns and have a combined net income of
1 43 ~~thirteen seventeen~~ thousand ~~five nine~~ hundred dollars
1 44 or less, neither spouse shall receive the benefit of
1 45 this paragraph, if one spouse has a net operating loss
1 46 and elects to carry back or carry forward the loss as
1 47 provided in section 422.9, subsection 3. A person who
1 48 is claimed as a dependent by another person as defined
1 49 in section 422.12 shall not receive the benefit of
1 50 this subsection if the person claiming the dependent
2 1 has net income exceeding ~~thirteen seventeen~~ thousand
2 2 ~~five nine~~ hundred dollars or ~~nine eleven~~ thousand ~~two~~
2 3 ~~hundred~~ dollars as applicable or the person claiming
2 4 the dependent and the person's spouse have combined
2 5 net income exceeding ~~thirteen seventeen~~ thousand ~~five~~
2 6 ~~nine~~ hundred dollars or ~~nine eleven~~ thousand ~~two~~
2 7 ~~hundred~~ dollars as applicable.
2 8 In addition, if the married persons', filing
2 9 jointly or filing separately on a combined return,
2 10 head of household's, or surviving spouse's net income
2 11 exceeds ~~thirteen seventeen~~ thousand ~~five nine~~ hundred
2 12 dollars, the regular tax imposed under this division
2 13 shall be the lesser of the maximum state individual
2 14 income tax rate times the portion of the net income in
2 15 excess of ~~thirteen seventeen~~ thousand ~~five nine~~
2 16 hundred dollars or the regular tax liability computed
2 17 without regard to this sentence. Taxpayers electing
2 18 to file separately shall compute the alternate tax
2 19 described in this paragraph using the total net income
2 20 of the husband and wife. The alternate tax described
2 21 in this paragraph does not apply if one spouse elects
2 22 to carry back or carry forward the loss as provided in
2 23 section 422.9, subsection 3.
2 24 This subsection is repealed January 1, 2008.

2 25 Sec. _____. Section 422.5, Code 2007, is amended by
2 26 adding the following new subsection:

2 27 NEW SUBSECTION. 2C. However, the tax shall not be
2 28 imposed on a resident or nonresident whose net income,
2 29 as defined in section 422.7, is twenty-two thousand
2 30 three hundred dollars or less in the case of married
2 31 persons filing jointly or filing separately on a
2 32 combined return, heads of household, and surviving
2 33 spouses or thirteen thousand four hundred dollars or
2 34 less in the case of all other persons; but in the
2 35 event that the payment of tax under this division
2 36 would reduce the net income to less than twenty-two
2 37 thousand three hundred dollars or thirteen thousand
2 38 four hundred dollars as applicable, then the tax shall
2 39 be reduced to that amount which would result in
2 40 allowing the taxpayer to retain a net income of
2 41 twenty-two thousand three hundred dollars or thirteen
2 42 thousand four hundred dollars as applicable. The
2 43 preceding sentence does not apply to estates or
2 44 trusts. For the purpose of this subsection, the
2 45 entire net income, including any part of the net
2 46 income not allocated to Iowa, shall be taken into
2 47 account. For purposes of this subsection, net income
2 48 includes all amounts of pensions or other retirement
2 49 income received from any source which is not taxable
2 50 under this division as a result of the government
3 1 pension exclusions in section 422.7, or any other
3 2 state law. If the combined net income of a husband
3 3 and wife exceeds twenty-two thousand three hundred
3 4 dollars, neither of them shall receive the benefit of
3 5 this subsection, and it is immaterial whether they
3 6 file a joint return or separate returns. However, if
3 7 a husband and wife file separate returns and have a
3 8 combined net income of twenty-two thousand three
3 9 hundred dollars or less, neither spouse shall receive
3 10 the benefit of this paragraph, if one spouse has a net
3 11 operating loss and elects to carry back or carry
3 12 forward the loss as provided in section 422.9,
3 13 subsection 3. A person who is claimed as a dependent
3 14 by another person as defined in section 422.12 shall
3 15 not receive the benefit of this subsection if the
3 16 person claiming the dependent has net income exceeding
3 17 twenty-two thousand three hundred dollars or thirteen
3 18 thousand four hundred dollars as applicable or the
3 19 person claiming the dependent and the person's spouse
3 20 have combined net income exceeding twenty-two thousand
3 21 three hundred dollars or thirteen thousand four
3 22 hundred dollars as applicable.

3 23 In addition, if the married persons', filing
3 24 jointly or filing separately on a combined return,
3 25 head of household's, or surviving spouse's net income
3 26 exceeds twenty-two thousand three hundred dollars, the
3 27 regular tax imposed under this division shall be the
3 28 lesser of the maximum state individual income tax rate
3 29 times the portion of the net income in excess of
3 30 twenty-two thousand three hundred dollars or the
3 31 regular tax liability computed without regard to this
3 32 sentence. Taxpayers electing to file separately shall
3 33 compute the alternate tax described in this paragraph
3 34 using the total net income of the husband and wife.
3 35 The alternate tax described in this paragraph does not
3 36 apply if one spouse elects to carry back or carry
3 37 forward the loss as provided in section 422.9,
3 38 subsection 3.

3 39 Sec. _____. Section 422.5, subsection 7, Code 2007,
3 40 is amended to read as follows:

3 41 7. In addition to the other taxes imposed by this
3 42 section, a tax is imposed on the amount of a lump sum
3 43 distribution for which the taxpayer has elected under
3 44 section 402(e) of the Internal Revenue Code to be
3 45 separately taxed for federal income tax purposes for
3 46 the tax year. The rate of tax is equal to twenty-five
3 47 percent of the separate federal tax imposed on the
3 48 amount of the lump sum distribution. A nonresident is
3 49 liable for this tax only on that portion of the lump
3 50 sum distribution allocable to Iowa. The total amount
4 1 of the lump sum distribution subject to separate
4 2 federal tax shall be included in net income for
4 3 purposes of determining eligibility under subsections
4 4 ~~2 and 2A, or 2B, and 2C~~, as applicable.

4 6 Sec. ____ Section 422.7, Code 2007, is amended by
4 7 adding the following new subsection:

4 8 NEW SUBSECTION. 50. a. Subtract five hundred
4 9 dollars for each qualifying child, as defined in
4 10 section 24(c) of the Internal Revenue Code.

4 11 b. (1) For the tax year beginning in the 2008
4 12 calendar year and for each subsequent tax year, the
4 13 dollar amount set forth in paragraph "a" shall be
4 14 multiplied by the cumulative adjustment factor for
4 15 that tax year. "Cumulative adjustment factor" means
4 16 the product of the annual adjustment factor for the
4 17 2007 calendar year and all annual adjustment factors
4 18 for subsequent calendar years. The cumulative
4 19 adjustment factor applies to the tax year beginning in
4 20 the calendar year for which the latest annual
4 21 adjustment factor has been determined.

4 22 (2) The annual adjustment factor for the 2007
4 23 calendar year is one hundred percent. For each
4 24 subsequent calendar year, the annual adjustment factor
4 25 equals the annual inflation factor for the calendar
4 26 year, in which the tax year begins, as computed in
4 27 section 422.4 for purposes of the individual income
4 28 tax.

4 29 DIVISION IV

4 30 Sec. ____ NEW SECTION. 422.11T SMALL BUSINESS
4 31 HEALTH CARE TAX CREDIT.

4 32 1. a. The taxes imposed under this division, less
4 33 the amounts of nonrefundable credits allowed under
4 34 this division, shall be reduced by a small business
4 35 health care tax credit, to the extent available, for
4 36 the cost to a small business of providing health care
4 37 benefits or contributions to employees of the
4 38 business. The amount of the credit for each employee
4 39 equals the first one thousand dollars of the cost of
4 40 providing health care benefits to the employee or the
4 41 first one thousand dollars of the contribution made on
4 42 behalf of the employee to a health savings account of
4 43 that employee.

4 44 b. The total amount of all credits for all
4 45 employees under paragraph "a" shall not exceed
4 46 twenty-five thousand dollars.

4 47 c. For purposes of this section:

4 48 (1) "Health savings account" means a health
4 49 savings account as defined in section 223(d) of the
4 50 Internal Revenue Code.

5 1 (2) "Small business" means a for-profit enterprise
5 2 that employed during the tax year less than fifty
5 3 full-time equivalent employees.

5 4 d. Any credit in excess of the tax liability shall
5 5 be refunded. In lieu of claiming a refund, a taxpayer
5 6 may elect to have the overpayment shown on the
5 7 taxpayer's final, completed return credited to the tax
5 8 liability for the following taxable year.

5 9 2. An individual may claim a small business health
5 10 care tax credit allowed a partnership, limited
5 11 liability company, S corporation, estate, or trust
5 12 electing to have the income taxed directly to the
5 13 individual. The amount claimed by the individual
5 14 shall be based upon the pro rata share of the
5 15 individual's earnings of the partnership, limited
5 16 liability company, S corporation, estate, or trust.

5 17 3. A taxpayer claiming a credit under this section
5 18 shall not be precluded, in computing taxable income,
5 19 from deducting the amount of costs for providing
5 20 health care benefits allowed under any section of the
5 21 Internal Revenue Code.

5 22 4. To receive the small business health care tax
5 23 credit, a small business must submit an application to
5 24 the department. If the taxpayer meets the criteria
5 25 for eligibility, the department shall issue to the
5 26 taxpayer a certification of entitlement for the small
5 27 business health care tax credit. However, the
5 28 combined amount of tax credits that may be approved
5 29 for a fiscal year under this section, section 422.33,
5 30 subsection 24, section 422.60, subsection 13, section
5 31 432.12J, and section 533.24, subsection 11, shall not
5 32 exceed the amount specified in subsection 5. Tax
5 33 credit certificates shall be issued on an earliest
5 34 filed application basis. The certification shall
5 35 contain the taxpayer's name, address, tax
5 36 identification number, the amount of the credit, and

5 37 tax year for which the certificate applies. The
5 38 taxpayer must file the tax credit certificate with the
5 39 taxpayer's tax return in order to claim the tax
5 40 credit. The department shall adopt rules to
5 41 administer this section and shall provide by rule for
5 42 the method to be used to determine for which fiscal
5 43 year the tax credits are approved.

5 44 5. For purposes of subsection 4, the combined
5 45 amount of small business health care tax credits that
5 46 may be approved in a fiscal year is as follows:

5 47 a. For the fiscal year beginning July 1, 2007, the
5 48 combined amount equals fifty million dollars.

5 49 b. For the fiscal year beginning July 1, 2008, the
5 50 combined amount equals one hundred million dollars.

6 1 c. For the fiscal year beginning July 1, 2009, the
6 2 combined amount equals one hundred fifty million
6 3 dollars.

6 4 d. For the fiscal year beginning July 1, 2010, the
6 5 combined amount equals two hundred million dollars.

6 6 e. For each fiscal year beginning on or after July
6 7 1, 2011, the combined amount equals two hundred fifty
6 8 million dollars.

6 9 Sec. _____. Section 422.33, Code 2007, is amended by
6 10 adding the following new subsection:

6 11 NEW SUBSECTION. 24. The taxes imposed under this
6 12 division shall be reduced by a small business health
6 13 care tax credit, to the extent available, provided for
6 14 in section 422.11T. The tax credit shall be subject
6 15 to the same conditions, requirements, and dollar
6 16 limitations as provided for in section 422.11T.

6 17 Sec. _____. Section 422.60, Code 2007, is amended by
6 18 adding the following new subsection:

6 19 NEW SUBSECTION. 13. The taxes imposed under this
6 20 division shall be reduced by a small business health
6 21 care tax credit, to the extent available, provided for
6 22 in section 422.11T. The tax credit shall be subject
6 23 to the same conditions, requirements, and dollar
6 24 limitations as provided for in section 422.11T.

6 25 Sec. _____. NEW SECTION. 432.12J SMALL BUSINESS
6 26 HEALTH CARE TAX CREDIT.

6 27 The taxes imposed under this chapter shall be
6 28 reduced by a small business health care tax credit, to
6 29 the extent available, provided for in section 422.11T.
6 30 The tax credit shall be subject to the same
6 31 conditions, requirements, and dollar limitations as
6 32 provided for in section 422.11T.

6 33 Sec. _____. Section 533.24, Code 2007, is amended by
6 34 adding the following new subsection:

6 35 NEW SUBSECTION. 11. The moneys and credits tax
6 36 imposed under this section shall be reduced by a small
6 37 business health care tax credit, to the extent
6 38 available, provided for in section 422.11T. The tax
6 39 credit shall be subject to the same conditions,
6 40 requirements, and dollar limitations as provided for
6 41 in section 422.11T.>

6 42 #3. Page 2, by striking line 1 and inserting the
6 43 following:

6 44 <DIVISION V
6 45 Sec. _____. EFFECTIVE, RETROACTIVE, AND
6 46 APPLICABILITY DATES.

6 47 1. Division I of this Act, being deemed of>.

6 48 #4. Page 2, by inserting after line 2 the
6 49 following:

6 50 <2. The section of division II of this Act
7 1 amending section 422.5, subsection 2, applies
7 2 retroactively to January 1, 2007, for tax years
7 3 beginning on or after January 1, 2007, but before
7 4 January 1, 2008.

7 5 3. The section of division II of this Act enacting
7 6 section 422.5, subsection 2C, takes effect January 1,
7 7 2008, and applies to tax years beginning on or after
7 8 that date.

7 9 4. The section of division II of this Act amending
7 10 section 422.5, subsection 7, takes effect January 1,
7 11 2008, and applies to tax years beginning on or after
7 12 that date.

7 13 5. The section of division III of this Act
7 14 enacting section 422.7, subsection 50, applies
7 15 retroactively to January 1, 2007, for tax years
7 16 beginning on or after that date.

7 17 6. Division IV of this Act applies retroactively

7 18 to January 1, 2007, for tax years beginning on or
7 19 after that date.>
7 20 #5. Title page, line 1, by inserting after the
7 21 word <to> the following: <low-income wage earners by
7 22 providing for a small business health care tax credit,
7 23 allowing a deduction for individual income tax
7 24 purposes for certain children, establishing the amount
7 25 of net income below which individual income taxes are
7 26 not owed and increasing>.
7 27 #6. Title page, line 2, by striking the words <an
7 28 effective date> and inserting the following:
7 29 <effective, retroactive, and applicability dates>.
7 30
7 31
7 32 _____
7 33 PAT WARD
7 34 JAMES A. SEYMOUR
7 35 LARRY NOBLE
7 36 E. THURMAN GASKILL
7 37 JERRY BEHN
7 38 MARY LUNDBY
7 39 DAVE MULDER
7 40 JEFF ANGELO
7 41 LARRY McKIBBEN
7 42 NANCY J. BOETTGER
7 43 MARK ZIEMAN
7 44 DAVID HARTSUCH
7 45 DAVID JOHNSON
7 46 PAUL McKINLEY
7 47 JAMES F. HAHN
7 48 BRAD ZAUN
7 49 HF 1.507 82
7 50 kh/je/6115